4 The Bank’s Rural Development Policy

The ADB’s development policy for the rural sector can be divided into two periods, each of which was guided by a major survey of the rural sector undertaken by the Bank. From the Bank’s establishment until the early 1970s, its development strategy was one of economic growth, which in agriculture entailed increasing output by modernising production methods. In the mid-1970s the Bank gradually moved to a strategy of rural development with simultaneous emphasis on increasing production, creating employment and raising rural incomes, which has with slight modification remained valid in the 1980s. This policy change should be seen within the context of the broader shift in the donor community from aid policies based on growth towards poverty-oriented rural development policies, which took place in the mid-1970s largely following the initiative of the World Bank. Two features, however, set the ADB’s policy apart from that of the World Bank and other aid agencies. First, the ADB’s initial policy was strongly influenced by an irrigation-based model derived from the precedent of agricultural development in Japan. This model, and its strong focus on foodgrain production, was also shaped by Japan’s concern with its own foodgrain security, and has continued to influence Bank policy into the 1980s. Second, in the ADB the shift to a policy of rural development was gradual and cautious, particularly compared with the strong emphasis placed on rural development by McNamara in the World Bank.

MODERNISING AGRICULTURAL PRODUCTION

From the start of Bank operations in 1967 until approximately 1974, the Bank’s policy for the rural sector centred around modernising production methods through the widespread application of the technology of the green revolution, specifically through the introduction of improved high-yielding varieties (HYVs) of seeds, the improvement of water control, and the increased use of fertilisers and pesticides. The adoption by the Bank of a technological, growth-oriented strategy was influenced by the ongoing programmes of
leading aid agencies such as the World Bank and USAID, which in the late 1950s and 1960s were instrumental in introducing the green revolution in Asia. The Bank’s strategy was also closely linked to a school of economic thought emphasising the relationship between investment in irrigation and in agricultural inputs and increased yields. The Asian Agricultural Survey which was undertaken by the Bank in 1967 and published in 1968, guided the Bank’s rural lending policy until the early 1970s.¹

**The Asian Agricultural Survey**

Following the Japanese initiative for the establishment of a fund to provide development finance for Southeast Asian agriculture in the mid-1960s, the first operational decision taken by the ADB board of directors was to initiate a survey of Asian agriculture. The purpose of the survey was to identify investment opportunities for and constraints on increasing agricultural production, as a basis for both national investment decisions and ADB lending operations. The terms of reference for the survey were prepared by and the survey work guided by a consultative committee of internationally known agricultural experts, co-chaired by Ohkawa Kazushi of Hitotsubashi University and Theodore W. Schultz of the University of Chicago. The technical and economic work was carried out by a team of ADB staff and experts from various institutions, led by Chung Nam Kyu of the National Agricultural Cooperative Federation of South Korea, with W. David Hopper, at the time working for the Rockefeller Foundation, as deputy team leader. The survey itself consisted of a regional economic report, which set out the basic assumptions, development model and policy recommendations of the team, and subsectoral reports on different aspects of agricultural development prepared by various team members, of which the most important were the reports on rice production, and irrigation and drainage. The reports were submitted to the members of the consultative committee, whose comments were included in the survey as a separate review report which served to place the survey’s strategy within the context of a policy debate.

The survey was undertaken in the wake of a slump in rice production in many Asian countries in 1965–6, which had markedly raised the international price of rice and led to an increased focus in Asian countries on raising agricultural growth rates and attaining a